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Message Text

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ACTION COME-00

INFO OCT-01 ARA-06 ISO-00 EB-07 AID-05 XMB-02 TRSE-00
CIAE-00 INR-07 NSAE-00 /028 W
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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 9253
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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E.O. 11652: N/A
TAGS: ETEL BENC BR
SUBJECT: BRAZILIAN DOMESTIC TELECOMMUNICATIONS SATELLITE

REF: STATE 299749

1. SUMMARY. EMBRATEL OFFICIALS STATE THAT SATELLITE PROGRAM IS PROCEEDING ON SCHEDULE. OTHER GOB OFFICIALS AND SOME PRESS REPORTS ARE LESS OPTIMISTIC. EMBASSY BELIEVES THAT THERE IS BETTER THAN EVEN CHANCE THAT ACTUAL EMPLEMENTATION OF PROJECT WILL BE DELAYED ALTHOUGH PROPOSED EVELUATION AND CONTRACT NEGOTIATION WILL PROBABLY PROCEED AS SCHEDULED. END SUMMARY.

2. ON SEPARATE OCCASSSIONS, CONGEN RIO OFFICER SPOKE WITH EMBRATEL OFFICIALS EUGENIO GUISARD, CHIEF, FINANCIAL/ECONOMIC DEPARTMENT AND BENJAMIN HIMELGRYN, CHIEF DOMESTIC SATELLITE PORJECT. BOTH HIMELGRYN AND GUISARD REPORTED THAT EVALUATION OF BIDS IS PROCEEDING AS PLANNED AND EMBRATEL CURENTLY HAS NO INTENTION TO DELAY OR POSTPONE IMPLEMENTATION. HIMELGRYN STATED THAT A FINAL REPORT WOULD BE FOREWARDED TO THE MINISTER OF COMMUNICATIONS IN JANUARY. THE GOB WOULD THAN DECIDE ON THE GO AHEAD FOR THE PROJECT. IN HIMEGRYLN'S OPINION THER IS NO POSSIBLILITY OF CONCELLATION, ALTHOUGH HE CONCEDED THAT A DELAY OF THREE TO
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SIX MONTHS MIGHT BE FESIBLE IN ORDER TO AVOID DISBURSEMENTS IN CY 1977. HIMELGRYN ADDED THAT IN ANY CASE AN AWARD WOULD BE RELATIVELY SMALL SHORT TERM CASH DISBURSEMTNE IS A FACTOR IN FAVOR OF MAINTAINS THE PROGRAM. CONGEN OFFICERS HASE ALSO BEEN INTOUCH WITH SEVERAL US FIRMS WHO HAVE SUBMITTED SATELLITE AND GROUND STATION PROPOSALS. THESE FIRMS REPORT RECEIVING

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SIMILAR ASSURANCES FROM EMBRATEL OFFICIALS.

3. MIN OF COMMUNICATIONS OFFICIALS IN BRASILIA ARE RELUCTANT TO MAKE ANY COMMENT ON THE FUTURES OF THE PROGRAM BUT ADMIT THAT IS IS UNDER "CONSTATNT STUDY AND REVIEW". AN OFFICIAL OF THE BRAZILIAN SPACE ACTIVITIES COMMISSION (COBAE) RECENTLY OPINED TO EMBOFF THAT THERE EAS A "GOOD CHANCE" THAT THE PROJECT WOULD BE POSTPONED AT LEST TEMPORARILY.

4. PRESS REPORTS HAVE BEEN CONTRADICTORY. ACCORDING TO "JORNAL DO BRASILIA" (OCT 15) MINISTER OF COMMUNICATIONS QUANDT DE OLIVEIRA ADMITTED THAT THE SATELLITE PROGRAM COULD WELL BE REVISED IF DIFFICULTIES WERE ENCOUNTERED IN OBTAINING FINANCING IN 1977 AND 1978. IN "JORNAL DO BRASIL" (OCT 28) HOWEVER, QUANDT STATE THAT THE WINNING BIDDER WILL HAVE TO PROVIDE 100 PERCENT FINANCING AND THAT " WE CONNOT AND MUST NOT HAVE EXPENSES IN 1977." AN ARTICLE IN "O ESTADO DE SAO PAULO" (NOV 10) CITED SOURCES IN THE MINISTRY OF COMMUNICATION AS STATING THAT THE PROGRAM WILL PROBABLY BE POSTPONED DUE TO SUCH FACTORS AS HIGH COSTS, RELATIVELY LOW RETURNS, AND OTHER PROJECTS, PARTICULARLY THE UPGRADING OF THE NATIONAL TELEPHONE SYSTEM, WHICH IS OF HIGHER PRIORITY. ON NOVEMBER 22, "JORNAL DE BRASILIA" REPORTED THAT IN SPITE OF ITS CR$8 BILLION CUTBACK IN INVESTMENTS FOR 1977, TELEBRAS WOULD CONTINUE TO PRESS TO KEEP THE PROGRAM ON SCHEDULE. IN ORDER TO DO THIS, HOWEVER, TELEBRAS WILL REPORTEDLY HAVE TO SOLICIT PRESIDENTIAL PERMISSION TO AUTHORIZE INVESTMENTS ABOVE THE REVISED TELEBRAS INVESTMENT CEILING OF CR$20.59 BILLION. PRESS ACCOUNTS OF THE AMOUT OF THE CUTBACK VARY: "GAZETA MERCANTIL"(NOV 26, DEC 2) CITES CR$13.4 BILLION FIGURE. IN THE DEC 11
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EDITION, HOWEVER, THIS AMOUNT IS REDUCED TO AROUND CR$7 BILLION BY ADDING TO THE CR$20.6 BILLION INVESTMENT CEILING CR$5 BILLION FOR DEBT AMORTIZATION.

5. COMMENT. THE FULL IMPLICATION FOR TH SATELLITE PROJECT OF THE INVESTMENT CUTBACKS IN THE TELECOMMUNICATIONS SECTOR ARE STILL UNKNOWN. THE RELATIVELY LOW PRIORITY AND MINIAMAL EMPLOYMENT CREATION OF THE SATELLITE PROGRAM MAKE IT VULNERABLE TO POSTPONEMENT. THE HIGH VISIBILITY AND LOW SHORT TERM CASH FLOW, HOWEVER, ARE FACTORS IN FAVOR OF PROCEEDING AS PLANNED. EMBRATEL'S ASSESSMENT OF THE IMPACT ON ITS CASH FLOW AS MINIMAL MAY NOT BE SHARED BY THE REST OF THE GOB WHICH IS MORE INTERESTED INDECELERATING THE INCREASING FOREIGN DEBT. EMBASSY BELIEVES THAT CONTRACT NEGOTIATIONS AND AWARDS MAY TAKE PLACE IN 1977, BUT, IF SO, POSSIBILITY EXISTS THAT ACTUAL IMPLEMENTATION WILL BE STRTCHED OUT OR DELAYED.

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